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Media Release

Increased interest in unlisted infrastructure

7 March 2019: Sophisticated investors increased their exposure to unlisted assets last year in their quest for more consistent returns, resulting into record capital flowing into infrastructure funds[1].

Investors allocated US$85 billion to unlisted infrastructure funds last year, up $10bn on 2017, according to Preqin. This was the third annual record amount of investment in the asset class, notes Infrastructure Partners Investment Fund Management Pty Ltd (IPIFM).

This year is expected to be another bumper year for infrastructure investment, with Preqin forecasting the amount invested in unlisted infrastructure funds to rise a further 10%.

Investors like unlisted infrastructure's diversification, inflation-hedging and income stream potential, especially given the concerns many investors have about a prospective market downturn, notes the independent IPIF.

"Australia's larger industry superannuation funds have invested in unlisted infrastructure since the mid-1990s, accessing the benefits and diversification provided by these real and reliable income generating assets," says Nicole Connolly, Executive Director of IPIFM.

In contrast, she says "the nation's smaller institutional investors, high net worth individuals (HNWIs) and close to 600,000 SMSFs have traditionally been excluded from this market".

However, she notes that volatile equity markets coupled with low interest rates and term deposits are prompting smaller investors to seek new ways to generate returns, beyond their traditional allocation concentration to Australian equities, cash and property.

"And this is extending to unlisted infrastructure. Infrastructure, and particularly unlisted infrastructure is attractive due to its typically stable, reliable returns and low correlation to equities.

"Infrastructure in a portfolio sits between government bonds and equities in terms of risk return, making it an excellent portfolio diversifier," she says (and as shown below).

"Infrastructure's potential for stable, reliable income and capital growth is derived from long-term, stable and predictable cash flows, typically underpinned by long-term contracts or a regulated asset base; with high visibility of income and revenues often linked to inflation," she says.

[1] Macquarie Infrastructure and Real Assets, a division of Australian financial services group Macquarie, recently raised $5bn for its latest North America-focused infrastructure fund. Toronto-based Brookfield Asset Management and New York-based Global Infrastructure Partners are raising $20bn each for what will be the world's biggest unlisted infrastructure funds.

This is one reason why unlisted infrastructure investments accounts for between 7- 12% of major institutional investor portfolios, with the Future Fund having some 7% allocated to infrastructure and Australian Super 12%, as at the end of 2017.

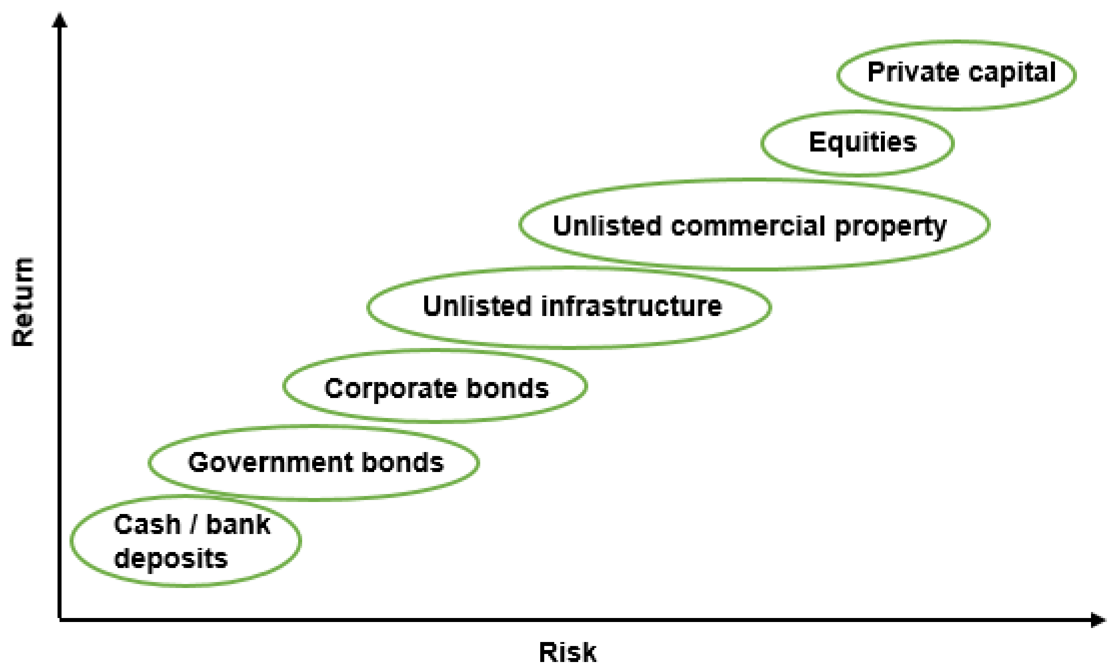
Why the increase in investor demand?

Ms Connolly notes unlisted infrastructure is renowned for its ability to provide consistent, reliable long-term income AND capital gains through the stable and predictable cash flows from diversified assets such as airports, seaports, power generation utilities and more.

"Total returns have historically returned 9% plus a year. This is more than the yields from Australia's top dividend stocks of the big four banks and well above the rates of term deposits. Couple this with the recent uncertainty over the future of franking credits and dividends and it is little wonder that more investors are increasingly considering the predictable and consistent returns of unlisted infrastructure. All without the associated market volatility of listed investments. That is not to say that the asset class isn't without risk. For example the regulatory environment in the Australian energy sector has contributed to downward pressure on the valuations of some of the network distributors recently. The upside to this however, is that the regulated return for these assets for the next two regulatory periods has been largely determined which will provide a level of consistency for a period of time."

"The key is to determine which assets and projects will provide the greatest, and most consistent, returns and to have a diversified portfolio of infrastructure assets across sectors and regions".

Risk return profile of infrastructure



Source: IPIF August 2019

IPIF Core, its flagship fund, is designed for high-net-worth individuals, self-managed super funds (SMSFs) and smaller institutional investors.

IPIFM and its IPIF Core Fund were created in early 2015 in response to initial demand from smaller investors to benefit from the attractive mix of income, capital growth and stability that infrastructure assets can provide, in a low-cost structure.

IPIF Core's investment strategy focuses on providing access to a diversified portfolio of mature, stable and cash-generating infrastructure assets. This includes exposure to transport assets including Perth, Adelaide, Melbourne and Brisbane Airports and Interlink Roads, and a number of energy and utilities assets including TransGrid, the UK's South East Water and PowerCo in New Zealand to name a few.[2]

IPIF Core is open for investment and will be embarking on a $50m capital raise during March to fund continued investment with existing managers as well as potentially a new fund investment.

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About IPIF
Infrastructure Partners Investment Fund is an independent funds management group. Its IPIF Core offering provides investors with access to a portfolio of sought-after unlisted assets that are typically inaccessible to small wholesale investors.

[2] These asset exposures are via IPIF Core's investment in Utilities Trust of Australia (UTA), a Morrison & Co managed vehicle (from 1 July) and the Global Diversified Infrastructure Fund (GDIF), a Colonial managed entity.

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